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Anthem Payout Poses Problem for Some

Poorest Policyholders could lose Medicaid, other Benefits

It might have seemed like manna from heaven – up to thousands of dollars dropping, often unexpectedly, into the hands of a half-million Kentucky and Indiana residents this month.

But for some recipients, there is a downside to the checks from Anthem Inc., issued to policyholders as part of the insurer's conversion to a publicly traded company.

The poorest recipients could actually suffer from the windfall by losing their benefits under Medicaid, food-stamp and other programs. That's because they suddenly have more money than the eligibility threshold for aid.

TO avoid losing valuable benefits such as a Medicaid-paid spot in a nursing home, recipients may need to spend their money fast – as early as the end of this month – but make sure they do it in a way that meets program guidelines.

"You would think money out of the blue would be a good thing," said Jaime Odle Harmon, executive director of the Lexington-based Access to Justice Foundation. "We're just trying to make sure that it is, and doesn't have a negative impact on low-income folks and their families."

Legal aid lawyers in Kentucky have put together an action team and held frequent statewide conference calls in response to concerns from aid recipients and advocates that the Anthem payouts could cost people their benefits, at least temporarily.

"We're getting deluged" with calls on the issue, said Hamon, whose agency supports the state's legal-services programs and operates a legal hotline for the elderly.

The basic advice is this: if you received a check or stock from Anthem and you haven't disposed of it yet, pick up the phone and call a legal-aid lawyer, benefits counselor or someone else who understands eligibility guidelines. And do it right away.

"There are people out there who are available to help anyone who has a problem. It's legal service and it's free," said Amy Turner, a staff attorney in Louisville with the Legal Aid Society, which covers Jefferson and 14 surrounding counties.

The sudden concern over losing benefits was triggered by the recent mailing by Anthem, the Indianapolis-based insurer, of about $2 billion in checks, plus shares of stock worth a bit more than that, to 1 million eligible policyholders in four states. About half of those were individuals or employers in Kentucky and Indiana.

The distribution was a result of Anthem's conversion last year from a mutual company, owned by its policyholders, to a publicly traded company owned by the shareholders.

Despite earlier mailings from Anthem, the checks caught many people by surprise. And while it was generally a nice surprise, it worried many aid-recipients who fear losing benefits – especially elderly residents in Medicaid nursing-home beds.

To qualify for Medicaid and some other state-administered aid programs in Kentucky, you can't have more than $2000 in liquid assets on hand. That includes cash and stock. In Indiana, the Medicaid threshold is even lower, $1500.

The Anthem payouts were large enough to put many seniors over those limits. The average payout was $4,400, and the largest – about $22,000 went to people who had been with Anthem the longest, presumably seniors.

When the checks started showing up in mailboxes sometime after Christmas, many aid recipients were confused about why they got the windfall – and what to do with it.

They were justifiably concerned, advocates say.

"I think there's a real danger that people will lose benefits because they won't understand how to handle this (money)," said Glenda Harrison, staff attorney with the Northern Kentucky Legal Aid Society in Covington.

"In particular, the elderly (could) be hurt by this," she said. "We are concerned that they won't know, one, what this is going to mean, and then, two, even if they know what it means, won't know who to contact to help them through this."

Anthem considered the potential effect of its payouts on public-aid benefits before making its distribution, said spokeswoman Lauren Green-Caldwell. But after talking to Medicaid officials in the four states involved, the company concluded "that we are not in a position to provide advice to these people," she said.

She said the company believes the distribution has "been a really good thing" and was handled fairly.

While people wondering how to handle their payout should consult an expert abou their particular situation, there are some general guidelines.

"You can't give it away, said Jess Williams, branch manager for eligibility policy for Kentucky Department for Medicaid Services. He said many people are asking if they can give it to their children to put it in a trust for them. The answer is no.

In general, you must receive fair-market value for whatever you spend it on. That means for example, "You can't pay your son $10,000 for a car that is worth $2000," said Lee Richardson, a Louisville attorney specializing in elder law.

The good news, for those who must spend up to $22,000 in a few days, is that there is a fairly broad latitude in what you can spend the money on. Kentucky advocates and Medicaid officials suggest such alternatives as buying a prepaid burial, paying premiums in advance on Medicare supplement health-insurance policy or paying outstanding medical bills. Other allowable expenditures could include buying a car for medical transportation needs, making home repairs or paying property taxes.

The main requirement is, you must get value for your money. Otherwise, when you report spending to Medicaid – as is required – official could treat the money as unspent, which could affect your benefits.

In Indiana, similarly, "there isn't really any particular restriction on what you can buy with your money . . .as long as you spend the money," said Christopher Holly, a paralegal with Indian Legal Services' Bloomington office.